

Christine Joyce

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From: Steve Ledoux
Sent: Wednesday, October 24, 2012 10:14 AM
To: Christine Joyce
Subject: FW: Finance Committee FY2014 Point of View Document
Attachments: POV Draft Circulated for Comments 10-15-2012[1].docx

Put on Agenda for Items for Consideration FinCom Point of View (Attached) and Update on ALG

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From: Doug Tindal [mailto:doug_tindal@hotmail.com]
Sent: Tuesday, October 16, 2012 4:25 PM
To: Pam Harting-Barrat; Steve Ledoux; Xuan Kong; Steve Mills; Stephen Barrett; Don Aicardi
Cc: Finance Committee; Bart Wendell
Subject: FW: Finance Committee FY2014 Point of View Document

With attachment.

All, Greetings. Attached please find a draft of the Finance Committee "Point of View" document for your consideration as we enter the 2012 - 2013 deliberations for the FY 2014 budgets on both the Schools and Town sides.

You are invited to raise any questions or express any concerns you may have with the conclusions and recommendations contained here. We would be happy to have any feedback you can provide. This version is a Draft and may be modified to include your comments before a final POV is published. Thank you, Doug Tindal

Town of Acton Finance Committee

FY2014 Finance Committee Point of View with Respect to the 2012-2013 Budget Planning Process

As in previous years, the Finance Committee offers this memorandum to describe the Town of Acton Finance Committee's Point of View ("POV") with respect to planning for the FY2014 Town and School Budgets. We have shortened the prose this year and instead are relying on our Long Range Financial Planning model to demonstrate the trends and forecasts that we see. As with prior Fincom Points of View, we invite comments back from the relevant operating boards and administrators, as well as from members of the public.

Revenues

We have modest expectations of revenue growth in the coming year. The need to support existing services should be balanced with the needs of the taxpayer. We assume a 2.5 percent increase in the levy for the coming fiscal year, but full levy capacity should only be utilized if necessary to support services that citizens have come to expect. We do not anticipate any increase in new growth, nor a change in the overlay.

We expect that state aid will continue along at previous years' pace; the Governor and the Legislature have consistently demonstrated a commitment to maintain Chapter 70 Education aid to cities and towns, but Acton's own declining enrollment may result in a decrease in expected aid. We assume that total state revenues will increase at a 2.5 percent rate over the current year. We also recognize that so-called federal stimulus funds for education from 2009 and 2010 have been completely expended at both the state and local levels.

Motor vehicle excise taxes have been trending at a very modest rate of increase for the last several years. We plan for a 1.5 percent increase in these revenues. The Board of Selectmen is encouraged to review fees routinely and ensure that they are matched with expenses. We project a 2 percent increase in fee revenues, and no increase in interest income.

Overshadowing all of these revenue assumptions is the acknowledgement that financial decisions made at the federal level over the next several months will impact all segments of the economy. While we do not attempt to quantify these events in the long range plan, our recommendations reflect our caution as we all navigate economic recovery.

Expenses

As several of the schools' and town's collective bargaining units return to negotiate this year, the settlement of these labor contracts is a significant unknown. Health insurance has increased at a very low rate for several years, reflecting changes in the employee

share as well as prudent management of the Health Insurance Trust. We project an 8 percent increase in payment for employee health costs. The schools have benefited from a very high reimbursement rate on the Special Education Circuit Breaker for the last several years, so we have assumed a smaller rate of increase (7 percent). Management efforts by all operating entities are expected to continue to hold utility increases in the 2 percent range.

Reserve Use

Turnbacks from the prior budget cycle are estimated at \$1.2 million, and several tax title collections received late in the year are also reflected in the Free Cash certification. Free cash for the Town of Acton as of July 1, 2012 has been certified at \$7.1 million, and the Acton-Boxborough Regional School District Excess & Deficiency account is expected to be certified at approximately \$1.2 million (Acton's "share"). These substantial reserves ensure that there is no need for an operating override for the next budget cycle (FY14). Despite these healthy reserves, the Fincom urges the operating entities to develop budgets that rely on only a conservative amount of these funds to balance. Our long range plan contemplates the use of up to \$1.5 million of reserves.

Level Service Budgeting

All operating entities have become accustomed for several years to plan for "level service" budgets. All have expressed the concern that there are priorities that need to be addressed. The Fincom urges the operating entities to only undertake new programs and initiatives where either there is a new revenue source identified to support this activity, or there is some current service that can be discontinued or otherwise economized to accommodate these services. In particular, we do not support additional hiring without offsetting expense reductions.

OPEB

The OPEB Working Group has begun their work, and they are anticipating providing several alternative recommendations for the Board of Selectmen, the School Committees and the Finance Committees to consider sometime later in November. We expect that they will provide recommendations about the amount of this liability to be funded by local taxpayers on an annual basis, what period of time will be required to meet this liability, and what funds could be used to meet this obligation. We will revise our POV Long Range Financial Plan with these numbers, once they are vetted and decided, but in the meantime in lieu of this information we are assuming the same numbers that we had previously used in our LRFP for the "Most Likely" case.

Long Range Financial Planning Tool

Attached is the summary page for our five-year plan using these assumptions, and a detailed page of our assumptions. The full model is available.

Scenario: Fincom FY14 POV

	FY12	FY13	FY14	FY15	FY16	FY17
	Town Meeting					
Revenues						
Tax Levy (excluding debt)	63,781	66,398	68,499	70,653	72,860	75,123
State Aid	11,633	12,216	12,522	12,835	13,156	13,485
Local Receipts	3,906	4,018	4,082	4,147	4,213	4,280
Debt Exclusion + SBAB reimburse	4,082	4,043	3,928	3,903	3,874	3,833
Override	0	0	0	0	0	0
Total Revenues (including debt)	83,402	86,676	89,031	91,537	94,103	96,721
Use of Reserves	1,853	1,700	1,500	1,750	1,750	1,500
Available Revenues - including Use of Reserves, Less Debt Exclusion, SBAB	81,173	84,333	86,603	89,385	91,979	94,388
Expenses						
Salaries						
Salaries - Police	2,767	2,805	2,889	2,975	3,065	3,157
Salaries - Fire	2,354	2,475	2,549	2,626	2,704	2,786
Salaries - Other Municipal	6,044	6,453	6,646	6,846	7,051	7,263
Salaries - Teaching	24,843	26,389	27,709	29,094	30,549	32,076
Salaries - Other Education	10,133	11,252	11,590	11,938	12,296	12,665
Health Insurance	10,760	9,328	10,074	10,880	11,750	12,690
Fringes Other (incl Pension)	4,361	4,886	5,032	5,183	5,339	5,499
Capital and One-Time Expenses	1,814	2,467	2,541	2,617	2,696	2,777
Included Debt Service	557	484	494	504	514	524
SPED Tuition & Transportation	5,643	5,470	5,853	6,262	6,701	7,170
Other Student Transportation	862	798	838	880	924	970
Utilities, Gas & Diesel	2,660	2,834	2,891	2,949	3,008	3,068
All Other	8,816	8,193	8,357	8,524	8,694	8,868
Total without Excluded Debt	81,614	83,833	87,462	91,277	95,289	99,511
% Increase		2.72%	4.33%	4.36%	4.40%	4.43%
Cost Reduction	0	0	(649)	(750)	(836)	(836)
Service Delivery Increases	0	0	0	0	0	0
Capital Plans	0	0	0	0	0	0
OPEB Contribution	0	500	700	900	1,000	1,500
Net Position	(441)	(0)	(1,559)	(2,792)	(4,310)	(6,623)

Assumptions

Revenues	Decisions			FY14 Fincom POV
	Favorable	Most Likely	Unfavorable	
Tax Levy				
Annual Increase	2.5%	2.5%	2.5%	2.5%
New Growth	0.0%	0.0%	0.0%	0.0%
Overlay	0.0%	0.0%	0.0%	0.0%
State Aid				
Cherry Sheet	2.5%	5.0%	2.5%	2.5%
Regional Revenue (Acton Share)	2.5%	5.0%	2.5%	2.5%
Local Receipts				
Excise Taxes	1.5%	2.5%	1.5%	1.5%
Fees	2.0%	2.5%	2.0%	2.0%
Interest Income	0.0%	0.0%	0.0%	0.0%

Expenses	Decisions			
	Favorable	Most Likely	Unfavorable	
Salaries				
Salaries - Police	2.5%	3.0%	4.0%	3.0%
Salaries - Fire include \$482 in Ambulance	2.5%	3.0%	4.0%	3.0%
Salaries - Other Municipal	2.5%	3.0%	4.0%	3.0%
Salaries - Teaching	4.0%	5.0%	6.0%	5.0%
Salaries - Other Education	2.5%	3.0%	4.0%	3.0%
Health Insurance	7.0%	8.0%	9.0%	8.0%
Fringes Other (incl Pension)	2.5%	3.0%	4.0%	3.0%
Capital and One-Time Expenses	2.0%	3.0%	4.0%	3.0%
Included Debt Service				
SPED Tuition & Transportation	8.0%	10.0%	12.0%	7.0%
Other Student Transportation	3.0%	5.0%	7.0%	5.0%
Utilities, Gas & Diesel	2.0%	3.0%	4.0%	2.0%
All Other	1.0%	2.0%	3.0%	2.0%

Salaries	
Salaries - Police	Still in negotiation Historical increase from FY 06-FY11 has been 4.9%
Salaries - Fire	Firefighter CBA calls for 1.5% increase for FY13, historically the increase has been approximately 3% per year
Salaries - Other Municipal	Historical increase from FY 06-FY11 has been 4.3%
Salaries - Teaching	AEA CBA calls for 1.7 % increase for FY13, steps and lane progression add 2.0% for a total increase of 3.7%
Salaries - Other Education	AFSCME and OSA CBA call for 4.8% increases in FY13
Health Insurance	Historical increase from FY 06-FY11 has been 7.5% Segal Actuarial Consultants Study used 8.5%
Fringes Other (incl Pension)	Historical increase from FY 06-FY11 has been 15.0% Catch up contribution to the Middlesex Retirement Plan account for half of that increase
Capital and One-Time Expenses	Historical increase from FY 06-FY11 has been 4.0%
Included Debt Service	
SPED Tuition & Transportation	Historical increase from FY 06-FY11 has been 10.1%
Other Student Transportation	Historical increase from FY 06-FY11 has been 7.7% Source Data USEIA Annual Energy Outlook price forecast for 2012 -2017 Gasoline 5.3%
Utilities, Gas & Diesel	Source Data USEIA Annual Energy Outlook for 2012 -2017 price forecast for Natural Gas -0.6%, Heating Oil 4.9% Electricity 0.6% Gasoline 5.3%
All Other	Historical increase from FY 06-FY11 has been 1.5%